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STATE DOCUMENTS

STATE OF MONTANA
BOARD OF PLUMBING EXAMINERS
REPORT ON EXAMINATION
Fiscal Year Ended June 30, 1969



OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MONTANA

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STATE OF MONTANA

BOARD OF PLUMBING EXAMINERS

REPORT ON EXAMINATION

Fiscal Year Ended June 30, 1969

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APPOINTIVE AND ADMINISTRATIVE OFFICIALS

BOARD OF PLUMBING EXAMINERS

Board Members

Roy L. Prussing, Chairman	Billings	1972
C. W. Brinck, Secretary	Helena	Permanent
Clarence Clapper	Columbia Falls	1971
Frank Daugaard	Joliet	1971
Donald M. Fullerton	Hamilton	1970
E. P. Loran	Helena	1970
Lou Street	Helena	1973

Administrative Officials

C. W. Brinck, Director, Division of Environmental Sanitation
State Board of Health

Mary L. Date, Office Manager



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SUMMARY OF RECOMMENDATIONS

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Establish and maintain currently a general ledger utilizing the double entry system and prepare annual financial statements.	4
Record cash when it is received and deposit it intact on a regularly scheduled basis.	5
Have all license forms prenumbered at the time they are printed.	5
Establish control accounts in the general ledger for equipment and a subsidiary ledger in which each equipment item is recorded.	6
Record additions and deletions to equipment in the ledgers on a timely basis.	6
Include a statement of changes in general fixed assets in the annual financial statements.	6
Maintain attendance records and records showing time off earned, taken, and balance for employees' vacation, sick leave, and overtime.	7



STATE OF MONTANA
Office of the Legislative Auditor
STATE CAPITOL
HELENA, MONTANA 59601

The Legislative Audit Committee
of the Montana State Legislature:

We have examined the balance sheet of the Montana State Board of Plumbing Examiners as of June 30, 1969, and the related statements of operations, as set forth in the table of contents in this report, for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements have been prepared on the cash basis of accounting and do not show financial position or operating results as do statements prepared on the modified accrual basis in accordance with generally accepted accounting principles applicable to governmental units.

The board does not maintain a general ledger nor does it utilize the double entry system of accounting. Financial statements are prepared directly from the state controller's reports and the board's detail records.

The board does not maintain control accounts or a subsidiary ledger for its equipment. Since no ledger exists to show the equipment values, amounts were determined by reviewing disbursement vouchers for equipment purchases for the past several years.

In our opinion, subject to the exceptions described in the preceding paragraphs, the accompanying financial statements present fairly the financial position of the Board of Plumbing Examiners as of June 30, 1969, and the results of its operations for the year then ended, in conformity with generally accepted governmental accounting principles applied on a basis consistent with that of the preceding year.

We submit the financial statements listed in the preceding table of contents together with the following comments.

in our opinion, subject to the exceptions described in the preceding paragraph, the accompanying financial statements present fairly the financial position of the United States Trust Company as at June 30, 1957, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We submit the financial statements listed in the preceding table of contents together with the following comments:

COMMENTS

GENERAL

The State Board of Plumbing Examiners was created in 1949. The statutes under which the board operates are set forth in Title 66, Chapter 24, R.C.M. 1947. The law provides for a seven-member board consisting of two master plumbers, two journeyman plumbers, one registered professional engineer, one member appointed at large as a representative of the public, and a representative of the Montana State Board of Health. The appointed members of the board are appointed by the governor for four year terms. Board members receive compensation of \$20 per day while engaged in the work of the board.

The main areas of responsibility of the board are prescribing and enforcing minimum standards for plumbing installations in Montana, and administering examinations for master and journeyman plumbers.

The board's records indicate there are approximately 320 licensed master plumbers and 800 journeyman plumbers in Montana. Examinations for master and journeyman plumbers are ordinarily conducted quarterly.

During the year ended June 30, 1969, the board had three full-time employees; the office manager and two inspectors. In addition, part-time help was employed during the summer months. The board's office is located in Helena and office space and clerical help is shared with the Water Well Contractors Examining Board.

The Board of Plumbing Examiners is self-supporting. License fees, examination fees, and other revenues of the board are deposited into the board's account in the earmarked revenue fund from which expenditures are made based upon legislative appropriations.

ACCOUNTING SYSTEM

The board does not maintain a general ledger, utilize the double entry system of accounting, or prepare yearend financial statements.

A general ledger should be maintained and posted on a monthly basis to properly show changes and balances of the board's assets and account balance and the accumulated revenues and expenditures for the year. The general ledger should be posted monthly from books of original entry (cash receipts register, claims register, etc.).

The double entry system should be utilized to keep the accounts in balance, show the dual effect upon each financial transaction, and provide the basis for preparation of accurate and complete financial statements and reconciliations.

Each state agency is required by law (Section 59-701, R.C.M. 1947) to submit annual financial statements to the state controller. Financial statements are basic to show the results of each agency's operations and its financial position at yearend. The state controller is presently in the process of establishing the bases for the content, format, and instructions for preparation of the financial statements to be prepared by state agencies in the future.

RECOMMENDATION

We recommend that the board confer with the state controller and that a general ledger be established and posted on a monthly basis utilizing the double entry system and that yearend financial statements be prepared.

CASH PROCEDURES

We believe the board needs to change its procedures relating to cash receipts in order to provide accurate accountability for the cash receipts and insure that

they are properly deposited. Current board procedures do not include the recording of cash in a chronological record at the time of its receipt. In addition, it has been the practice of the board to hold cash received until a substantial amount accumulates or until two weeks have passed, before depositing the receipts with the state treasurer. Generally accepted internal control standards provide that cash receipts should be recorded as soon as practicable and receipts should be deposited intact as promptly as possible and on a regularly scheduled basis. We believe this to be particularly important in an agency as small as the board in which it is difficult to establish adequate internal controls.

RECOMMENDATION

We recommend that the board record cash when it is received and that it be deposited intact on a regularly scheduled basis.

CONTROL OVER LICENSE FORMS

The control over the license forms used by the board needs to be improved in our opinion. The licenses consist of punch cards prepared by the data processing division of the State Department of Administration. Most of the cards are prenumbered by the data processing division at the time they are printed, however, some blank cards are received that are not prenumbered. Adequate control cannot be established over these blank cards without an identifying number for each card. Accordingly, we believe that all license forms should be prenumbered prior to their delivery to the board.

RECOMMENDATION

We recommend that all license forms obtained by the board be prenumbered at the time of printing to provide adequate accountability of the documents.

CONTROL OVER EQUIPMENT

The board presently does not have the basic records to adequately account for its equipment. No control accounts or detail ledgers are maintained. The equipment balance reported in the financial statements of this report was developed by examining claims in payment of equipment purchases for the last several years. This information should be available from control accounts and detail ledgers maintained on a current basis and presented in the board's yearend financial statements.

RECOMMENDATION

We recommend that the board:

- 1. Establish control accounts in the general ledger for its equipment and a subsidiary ledger in which each equipment item is recorded.*
- 2. Record additions and deletions to equipment in the ledgers on a timely basis.*
- 3. Include a statement of changes in general fixed assets in their annual financial statements.*

EMPLOYEE ATTENDANCE RECORDS

The board's personnel/payroll procedures presently do not provide for the maintenance of records relating to employees' attendance or of their time off earned and taken for vacation, sick leave, and overtime. The maintenance of attendance records is basic as a support for payment of employees' salaries. The maintenance of records showing employees' vacation, sick leave, and overtime earned, time taken off, and balance is essential

to readily determine that time taken off by an employee was earned. We believe these records must be maintained for proper administration of the board.

RECOMMENDATION

We recommend that the board maintain employee attendance records and records showing time off earned, taken, and the balance for employees' vacation, sick leave, and overtime.

TRAVEL EXPENDITURES

Included in the board's travel expenses for 1968-69, shown on Exhibit D as \$8,843, is an expenditure for \$312 which is applicable to another state agency and was charged to the board's account in error. The expense, applicable to the Water Well Contractors Examining Board, was processed in June 1969 by the State Department of Administration as a charge against the plumbing board's account because the claim document was incorrectly coded. Upon discovery of the error at yearend, the records of both boards were adjusted to agree with those of the Department of Administration. This resulted in both boards' records being incorrect as well as the Department of Administration's.

We believe this helps illustrate the need for prescribed procedures for yearend reconciliations. Accordingly, we have recommended in our report on the Water Well Contractors Examining Board that the state controller prescribe the necessary directives to state agencies for yearend reconciliations to insure more accurate financial reports and records.

CONCLUSION

We have reviewed the recommendations contained in this report with the board's administrative director and office manager. We wish to thank them for their cooperation and assistance.

Respectfully submitted,

Morris L. Brusett

Morris L. Brusett
Legislative Auditor

October 9, 1969

EXHIBIT A

BOARD OF PLUMBING EXAMINERS
ALL FUNDS
BALANCE SHEET
June 30, 1969

	<u>Earmarked Revenue Fund</u>	<u>General Fixed Assets</u>
<u>Assets</u>		
Cash in State Treasury	\$ 7,101	\$ --
Equipment	<u>--</u>	<u>2,596</u>
Total Assets	<u>\$ 7,101</u>	<u>\$ 2,596</u>
 <u>Reserves and Fund Balance</u>		
Reserve for Encumbrances	\$ 2,377	\$ --
Reserve for Investment in General Fixed Assets	<u>--</u>	<u>2,596</u>
Fund Balance - Exhibit B	<u>4,724</u>	<u>--</u>
Total Reserves and Fund Balance	<u>\$ 7,101</u>	<u>\$ 2,596</u>

BOARD OF PLUMBING EXAMINERS
EARMARKED REVENUE FUND
STATEMENT OF CHANGES IN FUND BALANCE
Fiscal Year Ended June 30, 1969

Fund Balance, July 1, 1968		\$12,031
Additions:		
Revenue - Exhibit C	\$29,628	
Reserve for Encumbrances, July 1, 1968	<u>148</u>	<u>29,776</u>
Total Balance and Additions		41,807
Deductions:		
Expenditures - Exhibit D	34,706	
Reserve for Encumbrances, June 30, 1969	<u>2,377</u>	<u>37,083</u>
Fund Balance, June 30, 1969		<u>\$ 4,724</u>

BOARD OF PLUMBING EXAMINERS
EARMARKED REVENUE FUND
STATEMENT OF REVENUE
Fiscal Years Ended June 30, 1968 and 1969

	<u>Fiscal Year Ended June 30,</u>	
	<u>1968</u>	<u>1969</u>
License Fees:		
Master Plumber	\$ 8,350	\$ 8,275
Journeyman	8,010	7,860
Examination Fees:		
Master Plumber	350	350
Journeyman	525	625
Penalties	140	230
Sale of Codes and Regulations	276	427
Sale of Stamps	8,964	9,855
Rent and Services	<u>1,800</u>	<u>2,006</u>
Total	<u>\$28,415</u>	<u>\$29,628</u>

NOTE: Revenue for the fiscal year ended June 30, 1968
was not audited but is presented for informational
purposes.

EXHIBIT D

BOARD OF PLUMBING EXAMINERS
EARMARKED REVENUE FUND
STATEMENT OF EXPENDITURES AND ENCUMBRANCES COMPARED WITH APPROPRIATIONS
Fiscal Year Ended June 30, 1969

Carryover Balance from 1967-68	\$ 6,894
1968-69 Appropriation	<u>30,193</u>
Total Available	37,087
Expenditures	34,706
Encumbrances	<u>2,377</u>
Balance Reverted	<u>\$ 4</u>

ANALYSIS OF EXPENDITURES

Personal Services:

Salaries	\$ 20,226
Employee Benefits	1,395
Board Members Compensation Fees	<u>940</u>
Total Personal Services	\$ 22,561

Operation:

Supplies and Materials	624
Communications	625
Travel Expense	8,843
Rent - Office Space	360
Duplicating and Data Processing Services	210
Attorney Fees	1,200
Other	<u>283</u>
Total Operation	<u>12,145</u>
Total Expenditures	<u>\$ 34,706</u>

BOARD OF PLUMBING EXAMINERS
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
Fiscal Year Ended June 30, 1969

Equipment - Balance, July 1, 1968	\$ 2,596
No Changes	<u> -- </u>
Equipment - Balance, June 30, 1969	<u>\$ 2,596</u>

